

State of Washington
Joint Legislative Audit and Review Committee (JLARC)



JLARC's Study of School Bus Bidding and Purchasing

Legislative members and their staff were concerned that the state's school bus bidding and purchasing process was leading to **high bus prices** and **unpredictable annual state payments** to school districts. JLARC has findings in three areas:

Part of the Process	How it Works	What JLARC Found
Bidding	OSPI solicits price quotes from the four dealers in Washington and makes those prices available to school districts.	Process works OK: OSPI has some control over specifications and pricing; prices quoted in Washington are comparable with other states and with industry standards.
Purchasing	Districts decide what type of bus to buy and when, and they purchase the bus directly from the dealer.	Process works OK: Districts get "base bus" funding from OSPI, and they pay for optional features with local funding.
Paying	OSPI sets a "base bus" price based on the lowest quote and pays districts yearly installments for future bus purchases to replace current buses.	Process Could be Improved: Annual adjustments to the state payment rate cause wide variation in the state's obligation; other funding options might be more predictable from year to year.

School Buses in Washington

Of the State's 296 school districts, 275 operate their own pupil transportation program. Pupil transportation is managed by each local school district, but the state, through OSPI, pays school districts for their transportation expenses, including school bus purchases. The Legislature appropriated **\$46 million** to pay districts for their school bus purchases during the 2003-05 Biennium. The information below highlights some of the characteristics of the statewide school bus fleet.

- Number of Buses Statewide 8,596
- Average Number of Buses per District Fleet 30 (min.=1, max.=486)
- Average Age of Bus Fleet 8.9 years
- Major Bus Brands Bluebird, International, Thomas, Carpenter, Crown, Gillig
- Bus Types



A: van conversion or cut-away



C: conventional bus body on a flat-back chassis with the engine in front of the windshield



D: transit-style bus with the engine mounted under the front, rear, or mid-section

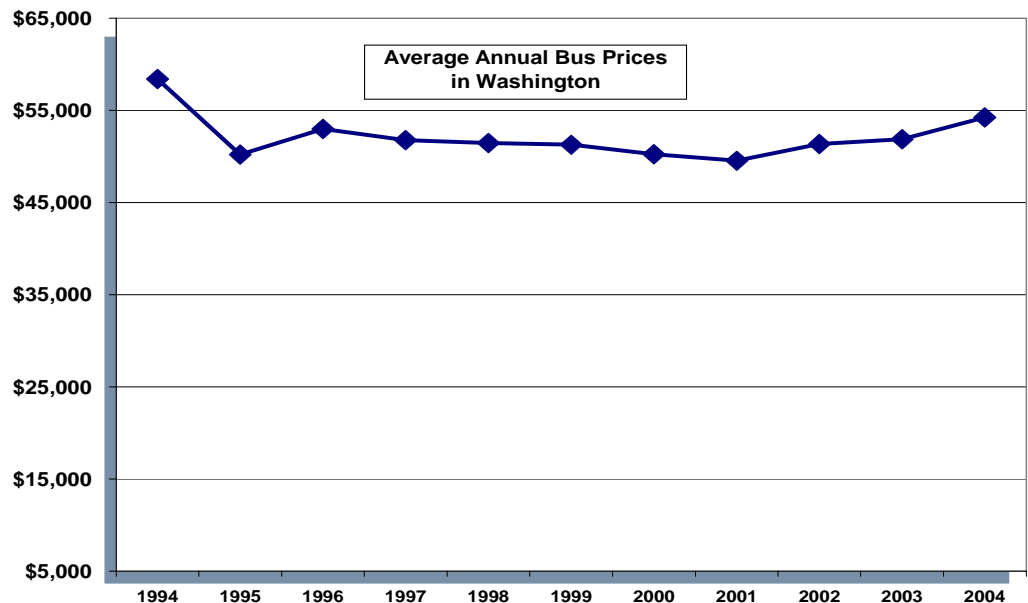
OSPI Uses a Competitive Bid to Determine the State Payment Rate

OSPI pays for school buses by giving districts funding based on an annual bidding process.

- There are four dealers selling three major brands of buses in Washington: Bluebird, International, and Thomas.
- OSPI solicits bids on 20 different bus configurations, which vary by **fuel** type, bus **type**, bus **size**, and whether or not a vehicle is equipped with a wheel chair **lift**.
- OSPI determines the rate it will pay school districts for their buses based on the lowest quote received each year.
- Districts can buy a more expensive bus, but must pay the difference with local funds.
- Once a district purchases a bus, OSPI begins making annual payments to the district to **replace** the bus -- annual payments are adjusted each year retroactively to reflect most current prices.

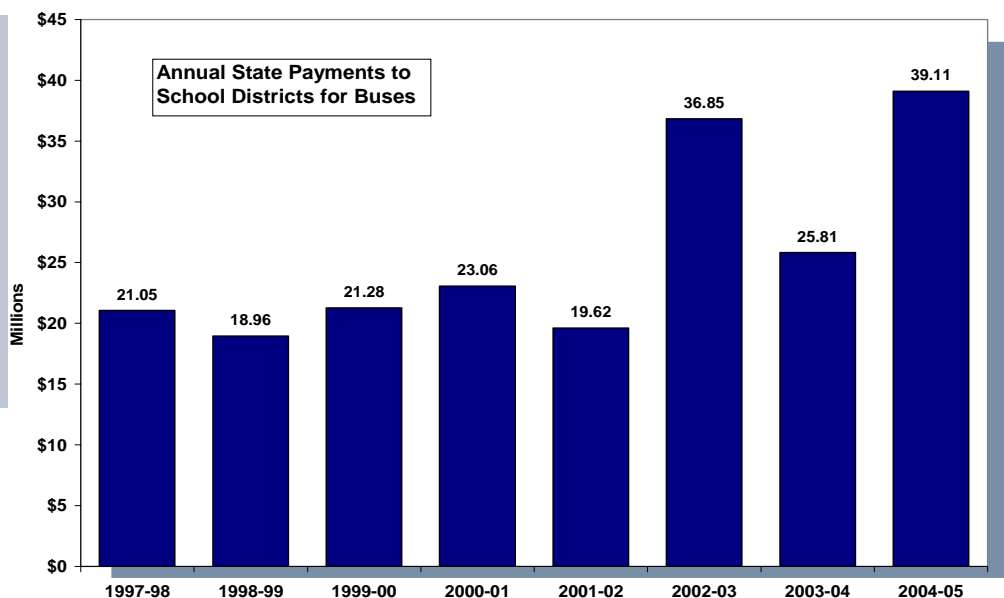
The school bus bidding and purchasing system in Washington provides OSPI with some ability to **control prices** while allowing districts an optimal amount of **local choice** in deciding what types of buses to buy and when.

**OSPI's
BIDDING
Process
Keeps
Prices
Stable ...**



- When compared with other states, the bus prices paid in Washington are comparable.
- Recent bus price increases are due to higher steel prices and more stringent federal emissions standards, and are consistent with national trends.

**... but
OSPI's
PAYMENT
Process
Causes
Year-to-
Year**



- OSPI makes annual payments to districts for their future bus purchases but it also retroactively adjusts past payments to bring them up to current year bus prices.
- From the 2001-02 to the 2002-03 school year, the average bus prices increased by 5 percent, which led to an increase of 54 percent in the state's payments to the districts.

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Other States and Individual Districts Offer Promising Practices

During the course of this review, JLARC staff identified bidding, purchasing, and payment practices in other states and within individual districts that may improve the process statewide:

Washington school districts . . .

- Keep written bus inventory and fleet replacement plans.
- Routinely invest local funds in their bus account to pay for optional add-ons.
- Compare prices of all costs between dealers, including base price plus options.

Other states . . .

- Reject bids that grow too fast from one year to the next.
- Set price ceilings on the amount they will pay for a given bus type.
- Extend bus contracts over multiple years to get better prices.

JLARC Study Makes Three Recommendations

Recommendation 1: The Legislature should make permanent the bidding and purchasing system established in 2003-05.

Recommendation 2: OSPI should examine the six promising practices identified above for possible implementation in the state's bus-buying process.

Recommendation 3: If the Legislature wants to create more predictable annual payments to school districts, the Legislature should consider alternative ways to pay school districts for their bus purchases. OSPI and OST should study implementation of this recommendation.

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